

Board of Water Works
SPECIAL CALLED MEETING MINUTES
October 1, 2018

Board Members Present:

Mr. Creighton Mershon, Chair
Dr. Sundeep “Sunny” Dronawat
Mr. Paul Esselman
Dr. Sharon Kerrick
Ms. Tierra Kavanaugh Wayne (via video teleconference)
Mr. Craig Willman

Not Present:

Mayor Greg Fischer

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Mr. Daniel Frockt, CFO, Louisville / Jefferson County Metro Government
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing
Mr. Tom Lockett, Vice President, Information Technology
Ms. Lynn Pearson, Vice President, Finance and Treasurer
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tighe, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. James Bates, Director, Infrastructure Planning and Records
Ms. Sue Purdy, Director, Finance
Ms. Jenni Schelling, Director, Internal Audit
Mr. Adam Carter, Union President
Mr. Andrew Winslow, Supervisor, Budget, Rates & Projects
Ms. Ramiza Carpenter, Senior Accountant
Mr. Matthew Griffith, Strategic Planning and Performance Specialist
Ms. Meghan Starnes, Budget Specialist, II
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors: Mr. Peiffer Brandt, Raftelis Financial Consultants
Mr. Joe Crea, Raftelis Financial Consultants
Mr. Trey DeRoche, Hazen & Sawyer
Mr. Kevin Thompson, Raymond James

The special called meeting of the Board of Water Works (“BOWW” or “Board”) was held on Monday, October 1, 2018 at the Louisville Water Company (“Louisville Water” or “Company”) located at 550 South Third Street, Louisville, Kentucky. Chair Creighton Mershon called the meeting to order at 11:40 a.m.

Strategic Plan

Mr. Spencer Bruce provided a summary of the process involved to create an updated vision and plan that will guide Louisville Water to achieve its goals over the next seven years.

A Strategic Business Plan Steering Committee was formed and consisted of a diverse mix of leadership, management and union representation. Stakeholders were engaged through employee focus groups, surveys and stakeholder interviews. Input was sought from the Directors of the BOWW, the Mayor of Louisville Metro, employees, customers, and other stakeholders. Foundation/Strategy workshops were held to formulate the foundation elements of the strategic plan and to discuss and select specific priorities and strategies. Strategy/Tactic workshops were held to discuss high-level measures of success for each of the priority areas. Months of work have culminated in the Draft 2019-2025 Strategic Plan that is being presented to the BOWW.

Mr. Matthew Griffith advised that with the assistance of Raftelis Financial Consultants, the Steering Committee reviewed nine industry wide trends to determine the extent to which each of the trends impact the utility's operating environment and supports or inhibits Louisville Water's continued success. Summaries of the nine trends were provided along with expectations for the future and potential Louisville Water responses. The nine trends include Population, the Operating Environment, Regulations, Workforce, Technology, Customer Expectation, Utility Financial Constraints, Source Water Protection, and Risk Profile.

Next, the committee identified their collective view of Louisville Water's most significant **Strengths**, **Opportunities** for improvement, **Aspirations** for the future, and desired **Results (SOAR)** to help form the foundation of the strategic plan.

Mr. Bruce reviewed the Strategic Direction with the Board which includes the Company's Vision, Mission and Value statements. Mr. Bruce and the Vice Presidents summarized the Company's Priorities which Louisville Water will strive to achieve over the next seven years. The Priorities include Water Quality, Infrastructure Investment, Financial Viability, Customers and Stakeholders, Employer of Choice, and Business Transformation. Measurements were formulated which are quantitative metrics that measure achievement of each priority. Strategies are areas of focus where the organization will allocate resources so that priorities and measures are achieved.

Mr. Mershon asked if staff would provide a more in-depth presentation on two to three of the priorities and the associated measures and strategies throughout 2019. Mr. Bruce indicated staff will include Strategic Business Plan communications in coming Board meetings.

Dr. Sharon Kerrick moved to approve the 2019-2025 Strategic Business Plan, seconded by Ms. Tierra Kavanaugh Wayne, and the motion unanimously carried.

Cost of Service / Financial Planning Project

Ms. Lynn Pearson advised that the Company's comprehensive financial planning project was recently completed. This was a two phase project that began in 2017. The project team included members of the BOWW, the Executive Leadership Team, Louisville Water's internal Finance Working Group, Raftelis Financial Consultants, Engineer of Record, Hazen and Sawyer, and financial advisor Raymond James. The purpose of Phase I of the project, the Cost of Service Study, is to have a third party view the Company's existing cost of service model and make recommendations for enhancement. Ms. Pearson explained that the

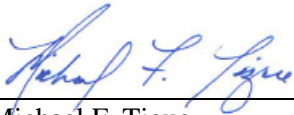
Cost of Service Study provides the foundation for the financial plan and rate design recommendations which came out of Phase II of the project. Mr. Peiffer Brandt of Raftelis Financial Consultants explained the Cost of Service portion of the project in more detail, stating that the main goal of Cost of Service is to achieve a fair and equitable rate structure. Ms. Pearson and Mr. Joe Crea, also with Raftelis, then reviewed Phase II of the project, including the rate design priorities and the rate design recommendations.

Ms. Pearson stated the information provided is for discussion purposes and staff is seeking the Board's feedback on the recommendations. The Board indicated support for the plan.

Ms. Pearson advised the next steps include developing the 2019 budget which will be presented to the Board in November, performing the annual Cost of Service Study using the new model, calculating specific rate recommendations for 2019 for the Board to review and approve in December, and integrating the approved rates into the new financial planning model for the creation of the 2019 – 2029 pro forma financials.

There being no further business for the Board, Dr. Sunny Dronawat moved to adjourn the meeting at 2:45 p.m. Seconded by Mr. Craig Willman and the motion unanimously carried.

Respectfully submitted,



Michael F. Tigue
Vice President, Compliance, General Counsel
and Corporate Secretary